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E.O. 12958: N/A
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SUBJECT: FISCAL TRANSPARENCY IN ST. VINCENT AND THE GRENADINES

REF: STATE 1923; 11-25-2009 CDA HARDT-SAUNDERS E-MAIL

11. (U) This cable responds to ref A request for information on fiscal transparency in St. Vincent and the Grenadines. Responses are keyed to reftel questions.

-- Is the central government expected to receive or is it already receiving U.S. foreign assistance funding using FY 2010 SFOAA?

St. Vincent and the Grenadines benefits from regional programs for the Eastern Caribbean funded out of USAID's Eastern Caribbean program, as well as a few targeted bilateral programs, but these funds are not provided directly to the central government. St. Vincent and the Grenadines is slated to receive foreign assistance funding in 2010 through FMF and IMET, and will also receive assistance under Enduring Friendship programming. St. Vincent and the Grenadines may also be eligible for 2010 funding under the Caribbean Basin Security Initiative (CBSI).

-- Is the host country's annual budget publicly available?

The Government of St. Vincent and the Grenadines practices fiscal transparency by making its national budget publicly available on an annual basis. The government does this by announcing and detailing the budget in an open forum of parliament annually and doing a full budgetary review in parliament at the end of the fiscal year. The government also allows for public debate on the budget, with wide and open participation from political parties and civil society. The national budget is also posted to the government's main public website, at <http://www.gov.vc>. (Although the site is currently undergoing a complete revamp, the Prime Minister's Office, as well as the Ministry of Finance, has assured us that the current and previous budgets will be displayed via the link to the Finance Ministry.) In addition, St. Vincent secured a USD \$2.3 million zero-interest World Bank loan to implement an Organization for Eastern Caribbean States (OECS) regional e-government integration program. According to the World Bank, the program is designed to improve the efficiency, quality and transparency of public services, including public financial management to integrate existing budgeting, accounting and reporting systems and develop a web-based public information system to provide easily understandable information on government finances.

-- Are incomes and expenditures included in the publicly available budget?

Yes, the budget is open for public scrutiny through its budgetary offices. The publicly-available data are generally accurate and meaningful, and include all revenues and expenditures. The relevant laws governing fiscal transparency in St. Vincent and the Grenadines have been entered into force in the Constitution at independence, in the form of a "Chapter on Finance of the Constitution with Authorization of Expenditure from Consolidated Fund by Appropriation and Authorization by Expenditure in advance of appropriation." These laws, which were originally adapted from New Zealand's constitutional framework, are adequate and well-implemented.

-- What is post's assessment of the extent to which the publicly-available budget accurately reflects actual government incomes and expenditures?

Given the clear transparency of St. Vincent and the Grenadines' political system -- which was modeled on and parallel those of the British and New Zealand parliamentary systems -- post believes thoroughly that the publicly-available budget accurately and clearly reflects actual government incomes and expenditures. Budgetary transparency is further buttressed by the Eastern Caribbean Central Bank, which plays a central role in monetary

policy throughout the Eastern Caribbean and monitors the overall economic and financial environment in OECS countries, including St. Vincent and the Grenadines, that share a common currency. The ECCB is the Central Bank for all of the Eastern Caribbean countries, all of whom are required to provide detailed, regular reporting on public revenues and expenditures and operate within fiscal limitations monitored by the Bank.

-- Have there been any events since the 2009 review that may have affected fiscal transparency (e.g., a coup)?

There have not been any events since the last review that may have affected St. Vincent and the Grenadines' evident fiscal transparency.

-- Since last year's review, what efforts has the host government undertaken to improve fiscal transparency? What progress has been made, pursuant to the 2009 demarches on the subject?

Per ref B, post chose not to deliver any demarche to the Government of St. Vincent and the Grenadines, given St. Vincent's proven transparent budgetary process. Post continues to believe strongly that the initial decision to declare St. Vincent and the Grenadines as non-compliant on budgetary transparency was flawed. Thus, there were no steps that could or can be taken to encourage St. Vincent to make its budget more transparent than it already is. In this regard, Post strongly encourages the Department to revisit the original decision to declare St. Vincent and the Grenadines as noncompliant, to rescind that decision, and to restore its full eligibility for foreign assistance.

HARDT